

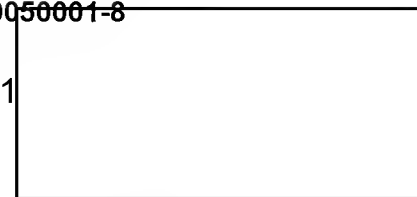


Director of
Central
Intelligence

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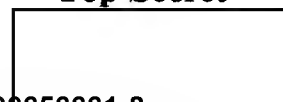
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National Intelligence Daily (Cable)

6 April 1979

State Dept. review completed

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BRIEFS AND COMMENTS

EGYPT: Sadat Defends Treaty

//President Sadat's spirited defense of the peace treaty with Israel in his speech to the Egyptian Parliament yesterday in part reflects Egyptian concern over the severity of the anti-Egyptian sanctions agreed upon at the Baghdad ministerial meeting last week. Egyptian officials have acknowledged that Arab reaction to the treaty was more serious than they expected, and are obviously disturbed over Egypt's increased isolation from the rest of the Arab world.//

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Sadat repeatedly emphasized the comprehensive nature of the accord in an effort to counter charges by his critics that it largely ignores the Palestinian question. Sadat stressed that future negotiations were intended to provide an equitable solution to the thorny Palestinian issue, invited the Palestinians to participate in the coming talks on autonomy, and restated Egypt's insistence on the return of East Jerusalem to Arab control. Although Sadat's assurances may help deflect criticism during the parliamentary debate on the treaty, they are unlikely to have any appreciable effect in modulating the largely adverse response of Arabs outside Egypt.

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//The economic sanctions are particularly worrisome for the Egyptians. A Foreign Ministry official told the US Embassy that he saw few loopholes for avoiding implementation of the Baghdad resolutions and expressed concern about rumors that Iraq and Syria have begun pressuring Japan and West Germany to curtail their aid programs to Egypt. Part of this apprehension may relate to fears that Egyptian public support for the peace treaty may erode if the sanctions are seen as reducing chances for the widely anticipated economic benefits of peace.//

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In an effort to bolster domestic support for his peace policy, Sadat in his speech indicated that a declaration of rights for Egyptians would be formulated and that restrictions on the formation of political parties would be lifted. Sadat, however, warned that Egyptians must act with integrity and morality, and he is not likely to allow opposition elements free rein.

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EAST GERMANY: Hard Currency Use Banned

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East Germany has finally decided to ban the use of Western currencies in its hard currency stores, Intershops, beginning 16 April. Under the new system, East Germans will be required to exchange their hard currency holdings for certificates redeemable in Intershop stores.

[REDACTED]

Initiation of a coupon system will substantially dampen the vigorous market for West German marks in East Germany. The move also will help curtail a growing tendency toward a two-tier currency system in East Germany, with the West German mark the preferred currency. The regime clearly would rather see traffic in East German coupons than circulation of a foreign currency within East German borders. The decision also is designed to mollify the large segment of the population that does not have access to foreign currencies. [REDACTED]

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//Initially, hard currency earnings of the state-run Intershops are likely to decline. Some East Germans probably will be apprehensive about the regime's new ability to identify individuals as holders and possibly illegal earners of foreign currency. East Germany, however, is already desperately short of hard currency and probably will not do anything to jeopardize the Intershops' net hard currency earnings of some \$350 million annually.//

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NAMIBIA: Reactions to Truce Proposals

An aide of Foreign Minister Botha has told a US diplomat that next Tuesday the South African cabinet will consider the Western proposals for firming up the UN truce plan for Namibia. Botha's aide suggested that South Africa's response might be deferred if Namibian political leaders do not reach a consensus by Monday. In any case, he said, South Africa will not permit the South - West Africa People's Organization to maintain military bases inside Namibia under UN monitoring and will insist that the UN effectively monitor SWAPO forces in neighboring countries. The Namibian Constituent Assembly has adjourned until Monday for consultations with leaders of the political groups that are unrepresented in the Assembly. Latest indications are that the Democratic Turnhalle Alliance, which predominates in the Assembly, wants to break off negotiations with the Western sponsors of a Namibian settlement and set up an interim Namibian government. The principal groups outside the Assembly on the other hand, are demanding further negotiations in order to strengthen truce arrangements.

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SWEDEN: Turnaround on Nuclear Power

Sweden's Liberal and Social Democratic Parties have withdrawn their support from the national nuclear power program because of the reactor accident at Three Mile Island. Prime Minister and Liberal Party leader Ullsten had been expected to announce this week that his minority government accepted power company evidence that nuclear waste could be stored safely. This is a legal requirement before the next two reactors in the program can be fired. Both parties, representing a parliamentary majority, have now also publicly endorsed a national referendum on the future of nuclear power in Sweden--a position formerly held only by former Prime Minister Falldin's Center Party. Opinion polls have been inconclusive on the Swedish public's attitudes about nuclear power.

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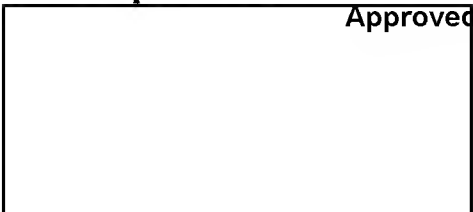
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